

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/8/07

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June 6, 2007

INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners
Livingston Parish Gravity Drainage
District #1
Livingston Parish Council
Denham Springs, Louisiana**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Livingston Parish Gravity Drainage District #1, "the District" (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Livingston Parish Gravity Drainage
District #1

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Livingston Parish Gravity Drainage District #1 as of December 31, 2006, and the budgetary comparison of the General Fund and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Hannu T. Bourgeois, CPA

**Livingston Parish Gravity Drainage
District #1
Denham Springs, Louisiana
Management Discussion and Analysis
December 31, 2006**

This section of the Livingston Parish Gravity Drainage District #1's (the District) annual financial report presents our discussion and analysis of the District's activities for the year ended December 31, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the detailed financial statements.

FINANCIAL HIGHLIGHTS

- * Net Assets on December 31, 2006 were \$3,004,037.
- * The Net Assets of the Governmental Activities showed an increase of \$451,291 or a 17.68% increase in 2006.
- * The total general fund balance at December 31, 2006 was \$2,383,186. This reflects an actual increase in 2006 to the general fund of \$420,909 or 21.45 %.
- * At the end of 2006, Unreserved General Fund Balance of \$2,319,300 represents 248.33% of total General Fund Expenditures.
- * The District had a 27.95% increase in the amount of sales tax revenue in 2006. The sales tax revenue totaled \$794,605 in 2006 and \$621,045 in 2005 representing 58.65% and 58.60 % of the total revenues in each of the respective years.
- * The District had a 14.06% increase in the amount of ad valorem tax revenue in 2006. The ad valorem revenue totaled \$434,120 in 2006 and \$380,615 in 2005 representing 32.05% and 35.92% of the total revenues in each of the respective years.

OVERVIEW OF FINANCIAL STATEMENTS

The management discussion and analysis are intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and accrued but unpaid interest).

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the District are governmental type funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 through 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 26 of this report.

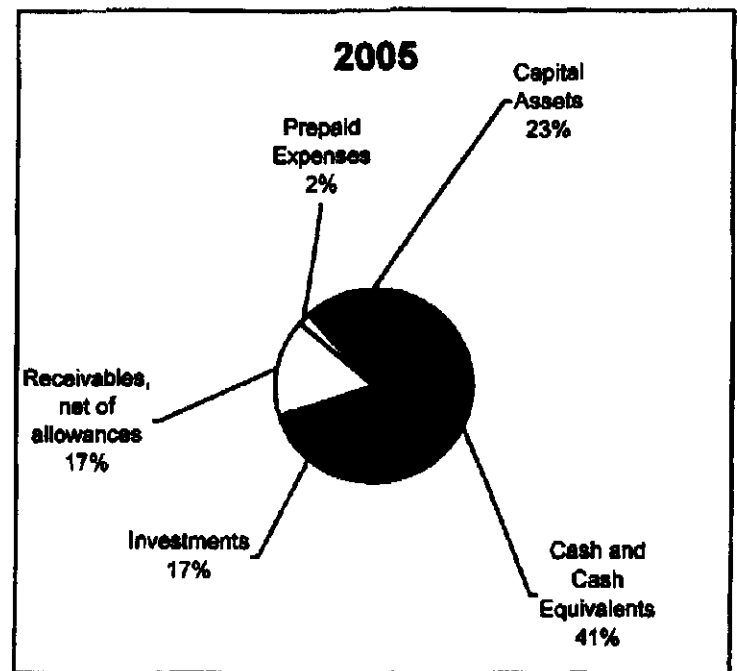
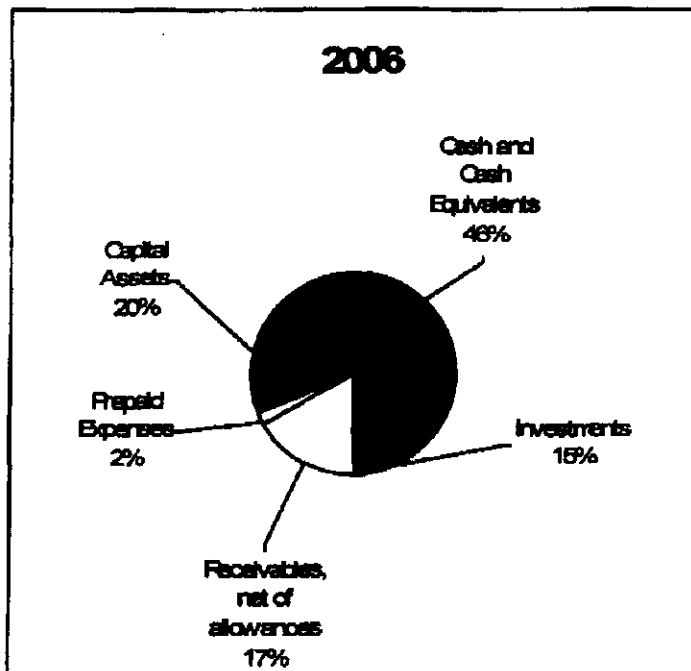
STATEMENT OF NET ASSETS:

The following is a schedule of the District's net assets at December 31, 2006 and 2005. Net assets are calculated by taking the difference between the total assets and total liabilities. The District's assets exceeded its liabilities at the close of 2006 and 2005 by a total of \$3,004,037 and \$2,441,264, respectively.

Condensed Statements of Net Assets

	<u>2006</u>	<u>2005</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 1,411,661	\$ 1,053,505	\$ 358,156
Investments	443,594	429,316	14,278
Receivables, net of allowances	503,844	454,034	49,810
Prepaid Expenses-Inventory	66,127	53,913	12,214
Capital Assets, Net of Accumulated Depreciation	<u>620,851</u>	<u>590,469</u>	<u>30,382</u>
Total Assets	3,046,077	2,581,237	464,840
Current Liabilities	<u>42,040</u>	<u>28,491</u>	<u>13,549</u>
Total Liabilities	42,040	28,491	13,549
Net Assets			
Invested in Capital Assets, Net of Related Debt	620,851	590,469	30,382
Unrestricted	<u>2,383,186</u>	<u>1,962,277</u>	<u>420,909</u>
Total Net Assets	<u>\$ 3,004,037</u>	<u>\$ 2,552,746</u>	<u>\$ 451,291</u>

The largest portion of District's net assets are reflected on the following charts:



STATEMENT OF ACTIVITIES

The District is committed to previous years' goals of accomplishing proper maintenance to the existing infrastructure canal and ditch systems for drainage. Various improvement projects at certain sites were undertaken as well as the continued ongoing clearing, spraying, and general improvement to drainage areas. The extreme growth in the number of homeowners along with business establishments in the District and the new challenges and demands for better drainage of water flow throughout the District is currently challenging the management to improve all areas for drainage. Improving methods of clearing, cleaning, and maintaining existing canals is management's priority. Lower areas are being developed and the general population is occupying these areas in large numbers. As the growth continues within the District, due diligence and expenditure of resources will be a priority to secure proper drainage for all. Increased staff and equipment purchases will be made in the years ahead to achieve the goal of proper drainage. A major outlay of clearing services on a grand scale will be made in 2007 to improve the main artery of drainage in the District (Gray's Creek Refurbishment Project). This project will improve the normal flow tremendously and the District expects to spend up to one million dollars by late 2007.

The majority of the funding for the District's operation and maintenance is provided by sales taxes on public sales within the boundaries of the District. The District collects a one-half cent sales and use tax within the boundaries of the District which is placed into the general fund. The District also collects on 4.6 mills of ad valorem property tax on assessed property within the District. The funds are used to pay for the operation and maintenance of the drainage systems and asset purchases. Other sources of revenue results from interest earned and governmental revenue sharing amounts. The District does not have any debt.

Condensed Statements of Activities

	<u>2006</u>	<u>2005</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ 1,354,875	\$ 1,059,788	\$ 295,087
	<u>1,354,875</u>	<u>1,059,788</u>	<u>295,087</u>
Expenses:			
Public Works	823,134	707,628	115,506
Depreciation	80,450	73,586	6,864
	<u>903,584</u>	<u>781,214</u>	<u>122,370</u>
Change in Net Assets	\$ <u>451,291</u>	\$ <u>278,574</u>	\$ <u>172,717</u>

REVENUES

- * Sales and use tax revenue increased by \$173,560 or 27.95 % in 2006 from the previous year. Ad valorem taxes increased by \$53,504 or 14.06%, while interest revenues increased by \$43,565 or 101.25%. In addition, State Revenue sharing increased by \$14,458 and the District received a one time intergovernmental transfer of \$10,000 in 2006.

EXPENSES

Total expenses in 2006 increased by \$122,370. Actual operating expenses increased by a net of \$115,506 and depreciation expense increased by \$6,864. This net increase in operating expense was because of the following:

- * Increases in wages, employee insurance, engineering fees, and professional fees were realized, which resulted in a \$115,506 net operating expense increase for the year.

BUDGETARY HIGHLIGHTS

- * The final amended budget for revenues in 2006 reflects an increase of \$253,000. This was caused by year long higher than expected sales tax collections, ad valorem tax collections, as well as interest earnings increases due to higher yields.
- * In 2006, the District received \$44,875 greater than the final amended revenue budget or a 3.43% favorable variance and in 2005 revenues were greater than the final amended revenue budget by \$34,788 or 3.40% favorable variance.
- * In 2006, the final amended budget for expenditures reflects an increase of \$87,500 as compared to an increase of \$59,000 for the final amended budget for expenditures in 2005. The 2006 final amended budget reflected no increase in capital outlay expenditures.
- * Total actual expenditures in 2006 were less than the final amended budget by \$210,534 or 18.40%, while in 2005 total expenditures were greater than the final amended budget by only \$147.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2006 and 2005, amounts to \$620,851 and \$590,469 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total increase in the District's investment in capital assets for 2006 was \$30,382 or 5.15 %.

2006:

- *Building renovation and parking improvements amounted to \$89,979
- *Office furniture and phone system were also purchased for \$6,299
- *Drainage Improvements capitalized amounted to \$14,554
- *Depreciation expense amounted to \$80,450.

FUTURE EXPENSES

The District is committed to previous years' goals of accomplishing proper maintenance to all major canals, ditches, and lateral drainage channels for the new population demand being experienced within the District. The extreme growth in the number of homeowners in the District and the additional drainage impact effects from new development will require additional cleaning of major drainage channels. Focusing attention on canals which are holding surface water or causing delayed drainage will be pursued by the District in the future with the resources available. Increased expenditures for engineering, employee salaries, general supplies, and capital outlay for related maintenance equipment is estimated in 2007 and beyond. In 2007, a major expenditure of just under \$1,000,000 will be incurred during the Gray's Creek Refurbishment Project which will drastically improve canal flow regarding the overall District drainage. Management's commitment with the resources available will only improve the standard of living for the District's citizenry. The District has also budgeted an amount equal to \$258,000 for Capital Outlay in 2007 to accomplish the goals stated above.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens and creditors with a general overview of the District's finances and reveal the District's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, Post Office Box 1265 Denham Springs, La 70727.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

ASSETS	Governmental Activities
	<u>2006</u>
Cash and Cash Equivalents	\$ 1,411,661
Investments	443,594
Due From Other Governments	9,825
Ad Valorem Taxes Receivable, Net of Allowance	371,501
Sales Tax Receivable, Net of Collection Fees	112,001
Other Receivables	10,517
Inventory	14,196
Prepaid Insurance	49,690
Deposits	2,241
Capital Assets, Net of Accumulated Depreciation	<u>620,851</u>
Total Assets	\$ <u>3,046,077</u>
 LIABILITIES	
Accounts Payable	\$ <u>42,040</u>
Total Liabilities	42,040
 NET ASSETS	
Investment in Capital Assets, Net of Related Debt	620,851
Unrestricted	<u>2,383,186</u>
Total Net Assets	<u>3,004,037</u>
Total Liabilities and Net Assets	\$ <u>3,046,077</u>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Activities 2006
Governmental Activities:	
Expenses:	
Public Works	\$ 823,134
Depreciation	<u>80,450</u>
Total Expenses	903,584
 General Revenues:	
Ad Valorem Tax	434,120
Sales Tax	794,605
State Revenue Sharing	29,559
Interest	86,591
Intergovernmental	<u>10,000</u>
Total General Revenues	<u>1,354,875</u>
Change in Net Assets	451,291
 Net Assets - Beginning of Year, As Restated	<u>2,552,746</u>
 Net Assets - End of Year	<u>\$ 3,004,037</u>

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 2006

ASSETS

Cash and Cash Equivalents	\$1,411,661
Investments	443,594
Due From Other Governments	9,825
Ad Valorem Taxes Receivable, Net of Allowance	371,501
Sales Tax Receivable, Net of Collection Fees	112,001
Other Receivables	10,517
Inventory	14,196
Prepaid Insurance	49,690
Deposits	<u>2,241</u>
Total Assets	<u><u>\$2,425,226</u></u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts Payable	<u>\$ 42,040</u>
Total Liabilities	42,040

Fund Equity:

Fund Balance:

Reserved for Inventory/Prepaid Insurance	\$ 63,886
Unreserved - Undesignated	<u>2,319,300</u>

Total Fund Equity	<u>2,383,186</u>
Total Liabilities and Fund Equity	<u><u>\$2,425,226</u></u>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2006

Fund Balances - Total Governmental Fund	\$ 2,383,186
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Governmental Capital Assets	1,472,538
Less: Accumulated Depreciation	<u>(851,687)</u>
	<u>620,851</u>
Net Assets of Governmental Activities	\$ <u>3,004,037</u>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2006

Revenues:

Ad Valorem Tax	\$ 434,120
Sales Tax	794,605
State Revenue Sharing	29,559
Interest	86,591
Intergovernmental	<u>10,000</u>
Total Revenues	1,354,875

Expenditures:

Public Works:

Salaries	290,318
Per Diem-Board Members	9,100
Payroll Taxes	24,393
Retirement Contributions	15,845
Health Insurance	38,905
Advertising	3,152
Assessor's Pension Fund	17,340
Business Insurance	92,129
Contract Services	39,403
Fuel	25,069
Legal/Professional Fees	154,318
Supplies	21,235
Miscellaneous	1,741
Office Supplies	3,818
Repairs & Maintenance	48,336
Sales Tax Collection Fees	15,808
Telephone	8,956
Uniforms	5,981
Utilities	<u>7,287</u>

823,134

Capital Outlay

110,832

Total Expenditures

933,966

Excess of Revenues over Expenditures

420,909

Fund Balance at Beginning of Year, As Restated

1,962,277

Fund Balance at End of Year

\$ 2,383,186

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>
Net Change in Fund Balance - Total Governmental Fund	\$ 420,909
 Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period:	
Capital Outlays	110,832
Depreciation Expense	<u>(80,450)</u>
	<u>30,382</u>
 Change in Net Assets of Governmental Activities	 \$ 451,291

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad Valorem Tax	372,000	414,000	434,120	20,120
Sales Tax	632,000	802,000	794,605	(7,395)
State Revenue Sharing	15,000	25,000	29,559	4,559
Interest	38,000	59,000	86,591	27,591
Intergovernmental	-	10,000	10,000	-
Total Revenues	1,057,000	1,310,000	1,354,875	44,875
Expenditures:				
Public Works:				
Salaries	350,000	290,000	290,318	(318)
Per Diem-Board Members	12,000	11,000	9,100	1,900
Payroll Taxes	33,000	25,000	24,393	607
Retirement Contributions	16,000	13,000	15,845	(2,845)
Health Insurance	36,000	40,000	38,905	1,095
Utilities	9,500	9,000	7,287	1,713
Repairs & Maintenance	30,000	50,000	48,336	1,664
Business Insurance	92,000	96,000	92,129	3,871
Contract Services	-	50,000	39,403	10,597
Legal/Professional Fees	80,000	147,000	154,318	(7,318)
Telephone	7,500	7,500	8,956	(1,456)
Supplies	30,000	30,000	21,235	8,765
Fuel	20,000	30,000	25,069	4,931
Office Supplies	3,000	4,000	3,818	182
Uniforms	8,000	7,000	5,981	1,019
Advertising	-	-	3,152	(3,152)
Sales Tax Collection Fees	12,000	16,000	15,808	192
Miscellaneous	3,000	3,000	1,741	1,259
Assessor's Pension Fund	15,000	16,000	17,340	(1,340)
	757,000	844,500	823,134	21,366
Capital Outlay	300,000	300,000	110,832	189,168
Total Expenditures	1,057,000	1,144,500	933,966	210,534

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Excess of Revenues Over Expenditures	-	165,500	420,909	255,409
Fund Balance at Beginning of Year, As Restated	<u>1,962,277</u>	<u>1,962,277</u>	<u>1,962,277</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$1,962,277</u></u>	<u><u>\$2,127,777</u></u>	<u><u>\$2,383,186</u></u>	<u><u>\$ 255,409</u></u>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

(1) Summary of Significant Accounting Policies -

Livingston Parish Gravity Drainage District #1 ("the District") is a body corporate created by the Livingston Parish Police Jury (now the Livingston Parish Council) on November 22, 1969, as provided by Louisiana Revised Statutes. The purpose of the District is to provide maintenance services to drainage structures within the boundaries of the district. The District is governed by a board of five commissioners.

In 2002, an election was held whereby the voters of Livingston Parish Gravity Drainage District #1 approved a 5-mill property tax on assessed property within the District. Also, on January 15, 2005, a 20-year renewal election was held whereby the voters of the District approved a ½% sales tax. In addition, the District receives State Revenue Sharing funds from State provisions connected to the local sales tax election passage.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 30, 2006, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 14, the District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Council and the general government services provided by that governmental unit.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

B. Basis of Presentation

Basic Financial Statements - Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the District categorized as a business-type activity.

In the government-wide Statement of Net Assets, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District does not have any program revenues or operating and capital grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

The District uses the following fund type:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2006, it is the only fund of the District.

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual -

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of sales taxes and interest income. Interest income is recorded when earned. Sales taxes are recorded as revenues when the underlying transaction occurs and meets the availability criteria.

2. Modified Accrual -

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

The actual results of operations are presented in accordance with GAAP and the Commission's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Encumbrances are presented as a reservation for encumbrances on the Balance Sheet of the governmental fund. At December 31, 2006, the District had no outstanding encumbrances.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

(2) Cash, Cash Equivalents and Investments -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities less than 90 days. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the State of Louisiana, of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash and certificates of deposit with maturities less than 90 days totaling \$1,418,962 with a carrying amount of \$1,411,661 at December 31, 2006.

As of December 31, 2006, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury Bonds	\$216,670	\$ -	\$216,670
Time Certificates of Deposit	<u>226,924</u>	<u>226,924</u>	<u>-</u>
Total	<u>\$443,594</u>	<u>\$226,924</u>	<u>\$216,670</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2006, \$1,318,962 of the District's bank balance of \$1,418,962 was exposed to custodial credit risk because it was uninsured. However, \$1,318,962 of the uninsured amount was collateralized with securities held by the pledging institution's trust department or agent, but not in the entities' name.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments in Time Certificates of Deposits of \$226,924 the government has a custodial credit risk exposure of \$126,924 because the related Time Certificates of Deposits are uninsured. However, \$ 126,924 of the uninsured amount was collateralized with securities held by the pledging institution's trust department or agent, but not in the entities' name. For investments in US Treasury Bonds, a custodial credit risk does not exist as they are backed by the Federal Government.

(3) Ad Valorem Taxes

In 2002, the voters, who live within the boundaries of Gravity Drainage District No. 1 of Livingston Parish, Louisiana, passed a 5-mill (\$5 per \$1,000 of assessed valuation) ad valorem tax to provide funds for the maintenance, improvement, and construction of drainage structures within the District. The tax is effective for a 10-year period (2002-2011).

The ad valorem taxes are levied each November 15 on the taxable assessed value listed as of the prior January 1 for all real and business personal property located within the boundaries of Gravity Drainage District No. 1. Taxable assessed value represents the appraised value of the property less exemptions allowed by law. The Livingston Parish Assessor periodically determines the appraised values.

As of January 1, 2006, the assessed value of the property located within Gravity Drainage District No. 1 of Livingston Parish, Louisiana, was \$91,620,410. For 2006, the District elected to assess 4.6 mills to finance the maintenance, improvement, and construction of drainage structures.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

Taxes are due on November 15, the levy date, and they become delinquent on the following January 1. The taxes are generally collected in December of the current year and January through March of the following year. During late April or May, of the year following the year the tax was levied, the Sheriff's office sends out delinquent notices to the property owners. Soon after the Sheriff has mailed the delinquent notices, he will publish them in the newspaper. After a second publication in the newspaper and at least 30 days from the date of the first publication, the property is advertised for auction. The auction usually takes place in May or June. Properties sold at auction have liens placed on them by their buyers. The Parish will put a lien on any properties not sold at the auction.

Total taxes assessed and taxes receivable at December 31, 2006, are as follows:

	General Operations <u>4.6 Mills</u>
<u>Revenues:</u>	
2006 Ad Valorem Tax Assessed	\$ 421,454
Prior Year Collections in Excess of Receivable	<u>12,666</u>
Net Ad Valorem Tax Revenue	<u>\$ 434,120</u>
<u>Receivable:</u>	
2006 Property Tax Assessed	\$ 421,454
Less: Current Year Taxes Collected in 2006	<u>(34,724)</u>
Taxes Receivable - Current Year	386,730
Prior Years Tax Receivables at December 31, 2005	343,155
Less: Prior Years Tax Collected in 2006	<u>(355,581)</u>
Prior Year Collections in Excess of Receivable	<u>12,666</u>
Tax Receivable - Prior Years	<u>240</u>
Total Property Taxes Receivable at December 31, 2006	386,970
Less: Allowance for Uncollectible Accounts	<u>(15,469)</u>
Net Property Tax Receivable at December 31, 2006	<u>\$ 371,501</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

(4) Changes in General Fixed Assets -

<u>Governmental Activities</u>	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2006</u>
Capital Assets not Being Depreciated:				
Land	\$ <u>158,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>158,288</u>
Total Capital Assets Not being Depreciated	158,288	-	-	158,288
Capital Assets being Depreciated:				
Buildings	100,832	89,978	-	190,810
Improvements/Infrastructure	147,706	12,675	-	160,381
Vehicles	211,369	-	-	211,369
Equipment	737,361	7,089	-	744,450
Furniture & Fixtures	<u>6,150</u>	<u>1,090</u>	<u>-</u>	<u>7,240</u>
Total Capital Assets Being Depreciated	1,203,418	110,832	-	1,314,250
Less: Accumulated Depreciation for:				
Buildings	(42,051)	(4,434)	-	(46,485)
Improvements/Infrastructure	(7,326)	(6,186)	-	(13,512)
Vehicles	(183,859)	(18,350)	-	(202,209)
Equipment	(532,408)	(51,087)	-	(583,495)
Furniture & Fixtures	<u>(5,593)</u>	<u>(393)</u>	<u>-</u>	<u>(5,986)</u>
Total Accumulated Depreciation	(771,237)	(80,450)	-	(851,687)
Total Capital Assets Being Depreciated, Net	<u>432,181</u>	<u>30,382</u>	<u>-</u>	<u>462,563</u>
Total Governmental Activities Capital Assts, Net	\$ <u>590,469</u>	\$ <u>30,382</u>	\$ <u>-</u>	\$ <u>620,851</u>

Depreciation expense of \$80,450 was charged to the General Operations function in the Statement of Activities.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

(5) Long-Term Debt -

The Livingston Parish Gravity Drainage District #1 has no long-term debt transactions for the year ended December 31, 2006.

(6) Leases -

The District has no outstanding capital or operating leases at December 31, 2006.

(7) Litigation -

At December 31, 2006, there is no litigation pending against the District.

(8) Compensated Absences

The District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. The employees of the District must use all of the compensated leave by year end. At this time, the District has no provision for leave carryover, and if leave is not used at year-end, it is lost. A leave accrual is not required in the District's financial statements because there is not a provision for carryover.

(9) Per Diem Paid Board Members -

Each member of the Board of Commissioners is eligible to receive a per diem allowance of \$100 for attending each regular or special meeting of the board. Per diems paid to the board members for 2006 were as follows:

<u>Commissioner</u>	<u>Number Of Meetings</u>	<u>Amount Received</u>
Craig Borel	6	\$ 600
David Gros	22	2,200
Mark McCarter	6	600
George Provost	23	2,300
Jessie Wheat	17	1,700
Roy Zachary	17	1,700
		<u>\$ 9,100</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

(10) Prior Period Adjustments -

The following prior period adjustments are necessary to the Statement of Net Assts and to the fund balance of the General Fund to properly correct account balances at December 31, 2005:

	<u>Statement of Net Assets</u>	<u>General Fund</u>
Fund Balance/Statement of Net Assets at Beginning of Year, as Originally Reported	\$2,441,264	\$1,869,614
To Recognize First 2005 State Revenue Sharing Payment as 2005 Revenue	9,867	9,867
To Correctly Accrue December 2005 Sales Tax revenue Collected in February 2006	65,484	65,484
To Recognize Property Tax Revenue that was Deferred in 2005 as 2005 revenue	17,312	17,312
To Correct Accumulated Depreciation at December 31, 2005	<u>18,819</u>	<u>-</u>
Fund Balances/Statement of Net Assets at Beginning of Year, as Restated	<u>\$2,552,746</u>	<u>\$1,962,277</u>

(11) Pension Plan and Retirement Commitments -

On January 1, 1996, the District adopted the Putnam Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, the District's Board of Commissioners establishes individual retirement accounts with Putnam Investments for each eligible employee to whom the District will make a contribution as determined on a year to year basis. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investments options. The District does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute 9.0% of eligible wages for 2006 which amounts to \$15,845.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF THE COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS



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June 6, 2007

Board of Commissioners
Livingston Parish Gravity Drainage
District #1
Livingston Parish Council
Denham Springs, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the Livingston Parish Gravity Drainage District #1, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannu T. Bougeois, CPA

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2006

None